COMPREHEND, INC. REGIONAL MENTAL HEALTH -

MENTAL RETARDATION BOARD, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
AND
REPORTS REQUIRED BY THE SINGLE AUDIT ACT
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Comprehend, Inc. Regional Mental Health –
Mental Retardation Board, Inc. and Affiliates
Maysville, Kentucky

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Comprehend, Inc. Regional Mental Health - Mental Retardation Board, Inc. and Affiliates (the "Organization"), which are comprised of the consolidated statement of financial position as of June 30, 2023 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Comprehend, Inc. Regional Mental Health - Mental Retardation Board, Inc. and Affiliates as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Comprehend, Inc. Regional Mental Health - Mental Retardation Board, Inc. and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The consolidated financial statements of the Organization for the year ended June 30, 2022 were audited by another auditor, who expressed an unmodified opinion on those statements on November 28, 2022.

As part of our audit of the 2023 consolidated financial statements, we also audited adjustments described in Note (24) that were applied to restate the 2022 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2022 consolidated financial statements of the Organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 consolidated financial statements as a whole.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Comprehend, Inc. Regional Mental Health - Mental Retardation Board, Inc. and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Comprehend, Inc. Regional Mental Health - Mental Retardation Board, Inc. and Affiliates' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Comprehend, Inc. Regional Mental Health - Mental Retardation Board, Inc. and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating financial statements and other supplemental schedules presented on pages 24-29 are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards presented on pages 30-31, as required by *Title 2 U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidated financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 18, 2024 on our consideration of Comprehend, Inc. Regional Mental Health - Mental Retardation Board, Inc. and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Comprehend, Inc. Regional Mental Health - Mental Retardation Board, Inc. and Affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Comprehend, Inc. Regional Mental Health - Mental Retardation Board, Inc. and Affiliates' internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
January 18, 2024

COMPREHEND, INC. REGIONAL MENTAL HEALTH
MENTAL RETARDATION BOARD, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE, 30 2023 AND 2022

	June 30, 2023	June 30, 2022 (as restated)
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,659,583	$ 2,218,350
Accounts receivable - clients, net	591,519	714,096
Accounts receivable - grants and contracts	355,555	190,838
Prepaid expenses and other assets	161,293	244,261
Total current assets	3,767,950	3,367,545
Other Assets:		
Investments	1,971,754	1,949,399
Certificates of deposit	1,372,347	1,369,040
Restricted deposits and funded reserves	195,752	227,730
Leverage loans receivable	3,870,717	3,870,717
Total other assets	7,410,570	7,416,886
Right of use assets, less accumulated amortization	169,872	-
Property and equipment, less accumulated depreciation	7,720,183	8,065,833
Total assets	$ 19,068,575	$ 18,850,264
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 102,800	$ 187,615
Accrued payroll and related expenses	265,403	384,544
Accrued vacation pay and sick leave	295,795	294,694
Provider Relief Funds payable	-	645,311
Other liabilities	4,056	4,789
Deferred revenue	134,846	47,269
Current maturities of operating lease obligations	64,578	-
Current maturities of long-term debt	163,446	158,356
Total current liabilities	1,030,924	1,722,578
Operating lease obligations, less current maturities	105,294	-
Long-term debt, less current maturities	10,828,835	10,891,891
Total liabilities	11,965,053	12,614,469
Net Assets:		
Without donor restrictions	7,103,522	6,235,795
Total liabilities and net assets	$ 19,068,575	$ 18,850,264

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

COMPREHEND, INC. REGIONAL MENTAL HEALTH
MENTAL RETARDATION BOARD, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

WITHOUT DONOR RESTRICTIONS:	June 30, 2023	June 30, 2022 (as restated)
Revenues and Support:		
Net client service revenue	$ 8,983,726	$ 8,630,587
State and local grants	2,161,336	2,313,599
In-kind donations	40,997	60,959
Interest income	59,695	6,611
Investment income	25,838	43,252
Unrealized gains (losses) on investments	(13,113)	(53,519)
Workshop sales	41,405	58,545
Rental income	251,600	268,456
Other income	1,226,883	97,470
Fundraising income	10,715	-
Total revenues and support	12,789,082	11,425,960
Program Expenses:		
Behavioral Health	6,149,290	6,186,905
Intellectual Development	1,336,374	1,275,853
Housing	1,290,881	1,402,788
Physical Health	-	193,151
Total Program Expenses	8,776,545	9,058,697
Supporting Services Expenses:		
Management and general	3,134,810	3,081,745
Fundraising	10,000	-
Total Supporting Services Expenses	3,144,810	3,081,745
Total Expenses	11,921,355	12,140,442
Change in net assets without donor restrictions	867,727	(714,482)
Net assets, beginning of year	6,235,795	6,950,277
Net assets, end of yeai	$ 7,103,522	$ 6,235,795

The accompanying notes to consolidated financial statements are
an integral part of these consolidated statements.

COMPREHEND, INC. REGIONAL MENTAL HEALTH
MENTAL RETARDATION BOARD, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	2023								
	Program Services					Supporting Services			
	Behavioral Health	Intellectual Development	Housing	Physical Health	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total Expenses
Payroll and fringe benefits	$ 5,299,361	$ 862,850	$ 848,037	$ -	$ 7,010,248	$ 1,403,408	$ -	$ 1,403,408	$ 8,413,656
Transportation and travel	6,857	3,856	42	-	10,755	1,767	-	1,767	12,522
Rentals	-	31,122	-	-	31,122	-	-	-	31,122
Program supplies	203,593	20,558	81,386	-	305,537	95,615	-	95,615	401,152
Repairs and maintenance	90,760	18,936	36,766	-	146,462	(5,992)	-	(5,992)	140,470
Depreciation	39,395	16,111	61,109	-	116,615	291,978	-	291,978	408,593
Purchased services	347,228	14,819	32,726	-	394,773	417,098	-	417,098	811,871
Communications and utilities	67,909	17,762	58,036	-	143,707	265,966	-	265,966	409,673
Interest	-	-	55,665	-	55,665	408,535	-	408,535	464,200
Other expenses	94,187	350,360	117,114	-	561,661	256,435	10,000	266,435	828,096
Totals	$ 6,149,290	$1,336,374	$ 1,290,881	$ -	$ 8,776,545	$ 3,134,810	$ 10,000	$ 3,144,810	$11,921,355

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

COMPREHEND, INC. REGIONAL MENTAL HEALTH
MENTAL RETARDATION BOARD, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2022

	2022 (as restated)								
	Program Services					Supporting Services			
	Behavioral Health	Intellectual Development	Housing	Physical Health	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total Expenses
Payroll and fringe benefits	$ 5,261,031	$ 754,792	$ 1,036,124	$ 162,631	$ 7,214,578	$ 1,388,306	$ -	$ 1,388,306	$ 8,602,884
Transportation and travel	8,311	2,355	627	-	11,293	628	-	628	11,921
Rentals	-	34,400	-	-	34,400	5,289	-	5,289	39,689
Program supplies	227,374	147,404	47,836	10,056	432,670	80,335	-	80,335	513,005
Repairs and maintenance	72,121	24,820	48,901	1,395	147,237	141,907	-	141,907	289,144
Depreciation	-	9,773	59,481	9,837	79,091	268,153	-	268,153	347,244
Purchased services	324,293	4,933	34,419	1,421	365,066	315,583	-	315,583	680,649
Communications and utilities	81,248	26,908	50,805	2,035	160,996	330,831	-	330,831	491,827
Interest	212,527	-	59,975	-	272,502	202,820	-	202,820	475,322
Other expenses	-	270,468	64,620	5,776	340,864	347,893	-	347,893	688,757
Totals	$ 6,186,905	$1,275,853	$ 1,402,788	$ 193,151	$ 9,058,697	$ 3,081,745	$ -	$ 3,081,745	$12,140,442

The accompanying notes to consolidated financial statements are an itengral part of these consolidated statements.

COMPREHEND, INC. REGIONAL MENTAL HEALTH
MENTAL RETARDATION BOARD, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	June 30, 2023	June 30, 2022 (as restated)
Cash Flows From Operating Activities:		
Change in net assets	$ 867,727	$ (714,482)
Adjustments -		
Depreciation	408,593	347,244
(Gain) loss on disposal of assets	(261,277)	585
Unrealized (gain) loss on investments	13,113	53,519
Forgiveness of PRF payable	(645,311)	-
Amortization of deferred financing costs	97,240	97,240
Change in allowance for uncollectible accounts receivable	550,874	(132,977)
Changes in operating assets and liabilities -		
Accounts receivable - client	(428,297)	537,615
Accounts receivable - grants and contracts	(164,717)	(125,545)
Other receivables	-	18,735
Prepaid expenses and other assets	82,968	(218,341)
Accounts payable	(84,815)	52,562
Accounts payable and related expenses	(119,141)	(66,280)
Accrued vacation pay and sick leave	1,101	21,354
Provider Relief Funds payable	-	-
Other liabilities	(733)	(6,194)
Deferred revenue	87,577	(224,724)
Net cash provided by (used in) operating activities	404,902	(359,689)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(263,575)	(263,392)
Increase in certificates of deposits	(3,307)	(407)
Proceeds from the disposal of assets	461,909	-
Purchase of investments	(35,468)	(2,002,918)
Net cash provided by (used in) investing activities	159,559	(2,266,717)
Cash Flows From Financing Activities:		
Payments on long-term debt	(155,206)	(144,784)
Net cash provided by (used in) financing activities	(155,206)	(144,784)
Net increase (decrease) in cash and cash equivalents	409,255	(2,771,190)
Cash and cash equivalents, beginning of year	2,446,080	5,217,270
Cash and cash equivalents, end of year	$ 2,855,335	$ 2,446,080
Cash and cash equivalents	2,659,583	2,218,350
Restricted deposits and funded reserves	195,752	227,730
Cash and cash equivalents, end of year	$ 2,855,335	$ 2,446,080
Supplemental data:		
Interest paid	$ 192,215	$ 378,082
Lease assets obtained in exchange for lease obligations - operating	$ 138,845	$ -

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

Note (1) – Organization

Description of Business

Comprehend, Inc. Regional Mental Health - Mental Retardation Board, Inc. ("Comprehend") is a community mental health - mental retardation agency which provides planning, coordination and direct delivery of mental health, substance abuse and developmental and intellectual disability services, primarily on an outpatient basis at various locations throughout a five-county area in northeast Kentucky.

It is Comprehend's mission to enhance the well-being of individuals, families and communities by advocating for and providing behavioral healthcare services in a welcoming and caring environment. Comprehend is committed to serving as a resource to assist people with disabilities and their families to be the decision makers in their own lives and to build a solid path toward self-determination.

It is affiliated through common management and control with Comprehend Properties, Inc. ("Properties"), a nonprofit corporation which was organized to operate independent living apartments in Maysville, Kentucky. Operations of these apartments are supported by rent subsidies provided by the United States Department of Housing and Urban Development ("HUD").

Comprehend is affiliated with CI Holding Corporation ("Holdings"), a nonprofit corporation, formed to construct and operate a new facility to provide clinical and administrative services for Comprehend. Holdings is affiliated through common management and control with Comprehend.

Comprehend is affiliated with Comprehend Parking Properties, Inc. ("Parking), a corporation, formed in November 2021 to acquire the parking lot adjacent to Comprehend's Maysville clinic and administrative building. Parking is affiliated through common management and control with Comprehend.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of Comprehend, Properties, Holdings and Parking, the consolidated group herein referred to as the "Organization." All significant intercompany transactions and balances have been eliminated.

Description of Programs

Behavioral Health

Behavioral health provides a full array of programs and services to adults and children who are experiencing mental health and addiction problems. Traditional outpatient services are offered in the form of individual, group and family therapy onsite and offsite by highly trained and skilled therapists. Board certified, board eligible psychiatrists and advanced practice registered nurses provide psychiatric evaluations and medication management services. Day services to adults are provided through clubhouse model and day services to children are provided through specialized children's summer programs.

Housing Services

Residential support is provided to individuals through three staffed residences housing a total of 9 individuals, and one Family Home Provider, providing support services for individuals with developmental disabilities.

Comprehend Properties, a subsidiary of Comprehend, provides low-income housing apartments subsidized by the federal government HUD (Housing and Urban Development) division.

Intellectual Development Services

Intellectual developmental services provide an array of flexible support for children and adults who have intellectual and developmental disabilities.

Using person-centered processes, support plans are developed in partnership with the individual and his/her family. Support includes, but is not limited to the following: support coordination, crisis prevention/response, person-centered planning, community employment, respite, community resource development, independent and supported living and behavior support.

Note (2) – Summary of Significant Accounting Policies

Basis of Presentation – The consolidated financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide").

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

> **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.
>
> **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. There are no net assets with donor restrictions at June 30, 2023 or 2022.

Cash Equivalents – The Organization considers investments purchased with a maturity of three months or less, and which are not designated by the Board of Directors for a special purpose, to be cash equivalents.

Client Accounts Receivable and Allowance for Uncollectible Accounts – Client accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible accounts through a charge to contractual allowance and a credit to an allowance for uncollectible accounts receivable based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable.

Property and Equipment – Property and equipment are recorded at cost, if purchased, or fair market value at date of gift, if donated. The Organization has a policy of capitalizing property and equipment purchases greater than $500 and a useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Impairment of Long-Lived Assets – Management of the Organization reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. There were no charges for impairment of long-lived assets during the fiscal years ended June 30, 2023 or 2022.

Deferred Revenues – Contract revenues in advance of performance of services are deferred and recognized in revenues when services are performed.

Deferred Financing Costs – Deferred financing costs are being amortized using the straight-line method over the term of the mortgage and note payable. Amortization expense for each of the years ended June 30, 2023 and 2022 was $97,240. Accounting principles generally accepted in the United States of America ("GAAP") required financing costs to be amortized over the term of the loan utilizing the effective interest method; however, the difference between the effective interest and straight-line method is immaterial to the consolidated financial statements and is reported in interest expense as required by GAAP.

Client Service Revenues – Revenue from services billed under Medicaid is recognized at the time services are provided on a fee-for-service basis using rates established by the Commonwealth of Kentucky. Charges for services rendered to eligible clients under the Kentucky Cabinet for Health and Family Services contract are recorded at rates established by the Commonwealth. These Medicaid and contractual rates are determined prospectively by the Commonwealth utilizing the annual cost reports submitted by the Organization.

Such reports and the eligibility of clients under the program are subject to regulatory audit by state and/or local agencies. Although rates are determined prospectively, the regulatory agencies retain the authority to adjust amounts due to the Organization under certain circumstances.

Other client service revenues are recorded at rates established by the Organization. Contractual adjustments and allowances are recorded as deductions from revenues based upon an assessment of the client's ability to pay for services or based upon the terms of agreements with the respective third-party payers.

Support for client services provided under contract with the Commonwealth of Kentucky Department for Behavioral Health, Developmental and Intellectual Disabilities are being advanced to the Organization ratably over the fiscal year.

Payors include federal and state agencies, including Medicare and Medicaid, managed care health plans, commercial insurance companies and clients. The Commonwealth of Kentucky contracts with several managed care organizations ("MCO") to pay providers for services rendered to Medicaid recipients. For the five-county area the Organization serves, recipients have the option of choosing to receive services through one of various MCOs: Aetna, Wellcare of Kentucky, United Healthcare, Passport Health Plan by Molina Healthcare, Anthem, and Humana. Comprehend also renders services to clients with Ohio Medicaid by accepting traditional Ohio Medicaid (Gainwell) and Ohio Medicaid Managed Care Organizations: Buckeye Health Plan, Paramount Health Plan, Monlina of Ohio, and CareSource of Ohio Medicaid.

Government Grants – Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, could be adjusted. Certain restricted grant support received and earned within the same period is recorded as support without donor restrictions in the accompanying consolidated statements of activities.

Revenues from Rental Activities – Rentals are reported in operating revenues as earned over the terms of the leases, which are accounted for as operating leases. Substantially all of Properties' leases are for periods of one year or less.

Contributions – Contributions received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions whose restrictions are met within the same year as received are recorded as support without donor restrictions.

In-Kind Donations – Donated services and supplies are reflected in other income as contributions at their estimated values and are recorded as expenses for program services.

Fair Value of Financial Instruments – The carrying amounts for current assets and liabilities approximate their fair value due to their short maturity. The carrying amounts of long-term debt approximate their fair values based upon current interest rates available for similar types of instruments.

Income Taxes – Comprehend and its Affiliates are exempt from federal and/or state income taxes under Section 501(c)(3) of the Internal Revenue Code and/or Section 141.010(1)(f) of the Kentucky Revised Statutes. Comprehend and its Affiliates had no unrelated business income for the fiscal years ended June 30, 2023 or 2022. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

GAAP prescribes a comprehensive model for how an organization should measure, recognize, present and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2023 and 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements.

Allocation of Functional Expenses – The costs of providing the various programs and other activities have been summarized in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management estimates the expense allocations based on an allocation of employee hours, and other expenses by billable service and by the percentage of square footage for the benefited programs or functions.

Use of Estimates – The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and support, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Advertising – Advertising costs are expenses as incurred. Advertising expense was $25,427 and $10,657 for 2023 ad 2022, respectively.

Leases – Leases are classified as operating or finance lease at the lease commencement date. The Organization leases certain equipment and office space. The Organization records leases on the Consolidated Statements of Financial Position in the form of a lease liability for the present value of future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based upon risk-free rate as of the date of commencement or renewal. The Organization does not record leases on the Consolidated Statements of Financial Position that are classified as short term (less than one year).

At lease inception, the Organization determines the lease term by considering the minimum lease term and all optional renewal periods that the Organization is reasonably certain to renew. The lease term is also used to calculate straight-line rent expense. The depreciable life of leasehold improvements is limited by the estimated lease term, including renewals if they are reasonably certain to be renewed. The Organization's leases do not contain residual value guarantees or material variable lease payments that will cause the Organization to incur additional expenses.

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset.

The Organization has elected to treat property leases that include both lease and non-lease components as a single component and account for it as a lease.

Reclassifications – Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation of the current year consolidated financial statements. These reclassifications did not affect net assets nor the change in net assets.

New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842;* ASU 2018-10, *Codification Improvements to Topic 842, Leases;* ASU 2018-11, *Leases (Topic 842): Targeted Improvements;* ASU 2018-20, *Narrow-scope Improvements for Lessors;* and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the consolidated statements of financial position.

The Organization elected to adopt these ASUs effective July 1, 2022 and the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward the historical lease classification. Additionally, the Organization elected the practical expedient to not separate nonlease components from lease components and instead to account for each as a single lease component.

The most significant impact of the adoption was the recognition of ROU assets and lease liabilities for operating leases. The accounting for finance leases remained substantially unchanged. Adoption of the standard required the Organization to restate amounts as of July 1, 2022, resulting in an increase in operating lease ROU assets of $71,752 and an increase in operating lease liabilities of $71,752. See Note (18) for more on the lease accounting.

Note (3) – Concentrations of Credit Risk

Cash and Cash Equivalents

The Organization maintains bank accounts, cash, cash equivalents and certificates of deposit in several commercial banks located in the Maysville, Kentucky area. These bank accounts, cash, cash equivalents and certificates of deposit are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. The Organization's cash, cash equivalents and certificates of deposit are further collateralized by the pledge of investments. As of June 30, 2023, the bank balances of the Organization's cash, cash equivalents and certificates of deposit was $4,054,941. Of the bank balances, $1,216,617 was covered by FDIC insurance, $2,812,688 was covered by pledged investments with the remaining $25,636 being unsecured.

The certificates of deposit are bear interest rates ranging from 0.30% to 1.00% and mature on various dates.

Client Service Revenues

The Organization grants credit without collateral to its clients, most of whom are local residents and are insured under third-party payor agreements. Client service revenues consist of the following:

	2023	2022
Kentucky Department of Behavioral Health, Division of Developmental and Intellectual Disabilities	$ 2,998,603	$ 3,214,485
Medicaid	5,290,741	4,133,117
Support of community living	1,521,626	1,687,084
Commercial insurance	582,555	549,145
Medicare	79,289	134,826
Client	354,486	256,810
CompTran (Transportation services)	334,161	157,426
Other	217,322	205,082
	11,378,781	10,337,975
Less provision for contractual and charity Allowances, and uncollectible accounts	(2,395,055)	(1,707,388)
Net client service revenues	$ 8,983,726	$ 8,630,587

The mix of client accounts receivable from third-party payors are as follows:

	2023	2022
Medicaid		
Kentucky department of Medicaid		
Aetna		
Wellcare of Kentucky	$ 180,888	$ 43,116
Anthem	66,043	93,602
MHNet	197,192	21,677
Humana	80,319	16,980
Other managed care organizations	193,654	147,265
SCL Medicaid	131,164	289,325
Medicare	15,004	21,287
State grants	355,555	190,838
Client – self pay	201,528	111,635
Commercial insurance and other	110,899	3,507
Total accounts receivable	1,532,246	939,232
Less: Allowance for uncollectible accounts	(585,172)	(34,298)
	$ 947,074	$ 904,934

Total gross client accounts receivable as June 30, 2021 was $1,285,734, less allowance for uncollectible accounts of $167,000 for a net client accounts receivable of $1,118,734. Total gross accounts receivable – grants and contracts as of June 30, 2021 was $65,293 with $-0- allowance for uncollectible accounts.

Note (4) – Restricted Deposits and Funded Reserves

Under the terms of the mortgage agreement with Midland Loan Services, LLC and the HUD Regulatory Agreement, Properties is required to set aside specified amounts for the replacement of property and other project expenditures as approved by HUD. Restricted Funds, which amounted to $195,752 and $227,730 at June 30, 2023 and 2022, respectively, are held in separate accounts and generally are not available for operating purposes.

Note (5) – Leverage Loans Receivable

Leverage loans receivable consists of receivables supporting and documenting the uses of proceeds from a note payable to U.S. Bank (see Note (9)) used to leverage additional investments in the construction of a new building by Holdings and to qualify for New Market Tax Credits. The leverage loans consist of the following at June 30, 2023 and 2022:

USBCDC Investment Fund 190, LLC (State Investment Fund)	$ 3,352,484
USBCDC Investment Fund 248, LLC (Federal Investment Fund)	518,233
	$ 3,870,717

Both loans bear interest at 1% receivable monthly, with principal due in June 2025, and are unsecured.

These leverage loans represent collateral for the note payable to U.S. Bank, (see Note 9).

Note (6) – Property and Equipment

Property and equipment consist of the following:

	2023	2022
Land	$ 225,562	$ 243,062
Buildings and improvements	9,695,056	10,037,533
Furniture and computer equipment	959,544	832,091
Vehicles	252,820	171,941
	11,132,982	11,284,627
Less accumulated depreciation	(3,412,799)	(3,218,794)
	$ 7,720,183	$ 8,065,833

Land, buildings and improvements for the years ended June 31, 2023 and 2022 include independent living apartments having a cost of $1,312,835 and $1,279,790 with related accumulated depreciation of $1,057,487 and $1,022,698, respectively.

During the year ended June 30, 2023, the Organization sold the Lewisburg, Washington, Rectorville and Robertson properties.

Note (7) – Investments

Investments are stated at fair value. Fair values and unrealized gain (loss), are summarized as follows:

June 30, 2023	Cost	Fair Value	Unrealized Gain (Loss)
Money market funds	$ 153,381	$ 153,381	$ -
Mutual funds / ETFs	995,005	938,583	(56,422)
Certificates of deposit	890,000	879,790	(10,210)
Total investments	$ 2,038,386	$ 1,971,754	$ (66,632)

June 30, 2022	Cost	Fair Value	Gain (Loss)
Money market funds	$ 22,541	$ 22,541	$ -
Mutual funds / ETFs	981,377	939,423	(41,954)
Certificates of deposit	999,000	987,435	(11,565)
Total investments	$ 2,002,918	$ 1,949,399	$ (53,519)

For the years ended June 30, 2023 and 2022, investment return consists of the following:

	2023	2022
Investment income, net of expenses	$ 19,274	$ 41,569
Unrealized gains (losses)	(13,113)	(53,519)
	$ 6,161	$ (11,950)

Broker's fees recorded in expenses were $6,564 and $1,683 for the years ended June 30 2023 and 2022, respectively.

Note (8) – Lines of Credit

The Organization had a line of credit with Peoples Bank of Ohio to provide funds for operating purposes. The line of credit has a maximum borrowing of $200,000, with a 3% fixed rate, and was collateralized by the Organization's certificates of deposit. The line of credit expired in August 2023. The outstanding balance of the line of credit is $0 at June 30, 2023 and 2022, respectively. The line of credit expiring August 2023 was not renewed upon expiration.

Note (9) – Long-Term Debt

Long-term debt consists of the following:

	June 30, 2023	June 30, 2022
Mortgage payable to Midland Loan Services, in monthly installments of $6,818, including interest at 6.98% through January 2042	$ 916,556	$ 942,703
Note payable to US Bank, in monthly installments of $27,195, including interest at 5.44%, through May 2025	3,509,479	3,638,538
Note payable to CHHS subsidiary CDE 39, LLC, in monthly interest only payments at 1.72%, with principal due in May 2025	3,870,717	3,870,717
Note payable to CHHS subsidiary CDE 39, LLC, in monthly interest only payments at 1.72%, with principal due in May 2048	2,105,100	2,105,100
Note payable to CHHS subsidiary CDE 39, LLC, in monthly interest only payments at 1.72%, with principal due in May 2048	814,183	814,183
Less deferred financing costs, net of accumulated amortization of $533,334 (2023) and $436,094 (2022)	(223,754)	(320,994)
	10,992,281	11,050,247
Less current maturities	(163,446)	(158,356)
	$ 10,828,835	$ 10,891,891

Mortgage payable to Midland Loan Services is collateralized by real estate of Properties, and by certain cash funds, accounts receivable, revenue and other assets associated with the independent living apartments in Maysville, Kentucky.

Note payable to US Bank is collateralized by real estate and leverage loans receivable of Comprehend.

Notes payable to CHHS Subsidiary CDE 39, LLC are collateralized by real estate and cash amounts of Holdings.

Aggregate annual principal requirements for long-term debt are summarized as follows the year ended June 30,

2024	$ 163,446
2025	10,193,247
2026	31,271
2027	33,193
2028	35,233
Thereafter	759,645
Total loan balance	11,216,035
Less: Deferred financing costs	(223,754)
Total	$ 10,992,281

Certain financial covenants are required by the note payable to US Bank. In the event of default, the bank may declare the entire unpaid principal balance of the note to be immediately payable, together with accrued and unpaid interest on the loan, unless subsequently waived in writing by the bank. The Organization was in compliance with the financial covenants as of June 30, 2023.

Note (10) – In-kind Donations

The Organization runs a thrift and consignment store called Another Man's Treasure, where donated, gently used items are sold and participants in the Intellectual Developmental Program are provided on-the-job training, including sorting and selling the items. The Organization's in-kind donations consisted of donations of clothing and related items for the thrift store of $40,997 and $60,959 for the year ended June 30, 2023 and 2022, respectively. Donated thrift store items are recorded at their fair value. No in-kind donations were restricted.

Note (11) – Charity Care

Comprehend's total expenses of $11,691,205 and $11,586,494 for the fiscal years ended June 30, 2022 and 2021, respectively, included an estimated $97,000 (2023) and $174,000 (2022) for providing service to charity clients. The estimated costs of providing charity services are based upon data derived from Comprehend's cost accounting system.

Note (12) – Liquidity and Availability of Financial Assets

The following table reflects the Organization's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

	2023	2022
Cash and cash equivalents	$ 2,659,583	$ 2,218,350
Certificates of deposit	1,372,347	1,369,040
Accounts receivable – client, net	591,519	714,096
Accounts receivable – grants and contracts	355,555	190,838
Investments	1,971,754	1,949,399
	$ 6,950,758	$ 6,441,723

Note (13) – Provider Relief Funds Payable

During the audit of the consolidated financial statements for the year ended June 30, 2022, it was discovered that the Organization did not file the required reporting for the Provider Relief Funds ("PRF") received during the year ended June 30, 2021, from the Health Resources and Services Administration ("HRSA"). Per the HRSA terms and conditions for acceptance of the PRF grant funding, recipients who do not submit a completed report on the use of funds by the applicable reporting deadline are considered non-compliant and will receive an official notice indicating that HRSA is seeking repayment of all PRF payments for the applicable reporting period. As a result of this discovery, the Organization recorded a Provider Relief Funds payable in the amount of $645,311 as of June 30, 2022.

During the fiscal year ending June 30, 2023, the Organization appealed with HRSA and the Organization submitted the required PRF reporting. In a letter from HRSA dated December 14, 2023, the Organization was informed that HRSA has approved the appeal and the funds do not have to be repaid. For the year ending June 30, 2023, the Organization had removed the liability from their financial statements and had recognized the forgiveness of the payable through Other Income on the Consolidated Statements of Activities.

Note (14) – Multi-Employer Defined Benefit Pension Plan

The Organization contributes to the Kentucky Employees Retirement System ("KERS"), a cost-sharing, multiple-employer defined benefit pension plan (the "Plan") administered by the Board of Trustees of Kentucky Retirement Systems ("KRS"). The risks of participating in a multi-employer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If an employer chooses to stop participating in this multi-employer plan, it may be required to pay this plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Plan provides for retirement, disability and death benefits to Plan members. The Commonwealth of Kentucky assigns the authority to establish and amend benefit provisions to the KRS Board of Trustees. The KRS issues a publicly available consolidated financial report that includes consolidated financial statements and required supplementary information for KERS. That report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

The Organization's participation in this Plan for the fiscal years ended June 30, 2023 and 2022 is outlined in the Table below. Unless otherwise noted, the most recent Pension Protection Act ("PPA") zone status available is for the Plan's year-end at June 30, 2022 and 2021, respectively. The zone status is based on information that the Organization received from KERS and is certified by the Plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded.

Pension Fund	Kentucky Employee Retirement System
EIN/Pension Number	61-1332884
Pension Protection Act Zone Status 2022	Red
Pension Protection Act Zone Status 2021	Red
Surcharge Imposed	No

Commencing on July 1, 2022, the Organization is required to contribute at an actuarially determined rate of 9.97% of annual covered payroll plus their actuarially calculated portion of the unfunded liability of the KERS plan. This requires the Organization to pay approximately $1,580,000 in additional pension contribution expense per fiscal year, subject to adjustments in future years, payable monthly on this unfunded pension liability. The Organization's estimated portion of the KERS unfunded liability was a significant amount in relation to the consolidated financial statements.

The Organization was required to contribute at an actuarially determined rate of 10.10% of annual covered payroll for the year ended June 30, 2022.

The contribution requirements of Plan members are established by statue and may be changed only by the Kentucky General Assembly. The Organization's contributions to KERS for the years ended June 30, 2023 and 2022 were $2,096,244 and $1,870,422, respectively. These payments were equal to the required contributions for each year.

Due to a change in the KERS policies, the Organization became obligated to make payments to KERS for a portion of the unpaid sick leave accumulated by retiring employees. As of June 30, 2023 and 2022, this potential liability has been estimated to be $52,609 and $67,318, respectively, and has been accrued in the accompanying consolidated statements of financial position.

The Organization's fiscal year 2023 and 2022 contracts with the Kentucky Cabinet for Health and Family Services were amended to include additional community care funds which were intended to assist organizations participating in KERS with the rising contribution rates. The amounts received as a result of these amendments were approximately $1,152,000 and $1,583,000 for the years ended June 30, 2023 and 2022, respectively.

Note (15) – Post Employment Health Care Benefits

Retired employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the KERS plan.

Note (16) – Medical Malpractice Insurance

The Organization insures for medical malpractice losses through a claims made policy which, in the opinion of management, is adequate to cover losses, if any. The Organization intends to continue to carry medical malpractice insurance.

Note (17) – Contingencies

<u>Liquidity</u>

The current economic environment presents not-for-profit organizations with circumstances and challenges, which in some cases have resulted in declines in the fair value of assets and declines in funding, constraints on liquidity and difficulty obtaining financing. In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the consolidated financial statements could change, resulting in material future adjustments in asset values and in allowances for accounts receivable that could negatively impact the Organization's ability to maintain sufficient liquidity. The consolidated financial statements have been prepared using values and information currently available to the Organization.

<u>Grant Funding</u>

The Organization receives funding from federal and state government agencies, which funds are to be used for designated purposes only. For government agency program fees (Medicaid and various grants), if the government agency's review indicates that the funds have not been used for the intended purpose, the government agency may request a refund of monies advanced or refuse to reimburse the Organization for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Organization's governmental funded programs is predicated upon the government agency's satisfaction that the funds provided are being spent as intended and the government agency's intent to continue their programs.

<u>Regulatory Environment</u>

The Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Health and Human Services, the U. S. Department of Housing and Urban Development and the Kentucky Cabinet for Health and Family Services. Such administrative directives, rules and regulations are subject to change by an act of Congress, the Kentucky General Assembly or an administrative change mandated by various government bodies. Such changes may occur with little or inadequate funding to pay for the related cost, including additional administrative burden, to comply with a change.

Note (18) – Leases

Other than short-term leases, the Organization is a party to operating leases for facilities and other equipment. As of June 30, 2023, the right-of-use (ROU) asset had a balance of $169,872 and the lease liability totaled $169,872. The lease asset and liability were calculated utilizing the risk-free rate based on the information available at the commencement date in determining the present value of lease payment. There are renewal options within the leases, which were not considered when assessing the value of the

ROU asset because the Organization is not reasonably certain that it will exercise its option to renew the leases.

Additional information about the Organization's leases is as follows:

Lease Costs (included in operating expenses):		
Operating lease costs	$	42,245
Operating lease variable costs		-
Short-term lease costs		-
Total lease costs	$	42,245
Other Information:		
Cash paid for amounts included in measuring operating lease liabilities:		
Operating cash flows from operating leases	$	39,763
Lease assets obtained in exchange for lease obligations:		
Operating leases		138,845
Weighted-average remaining lease term (years)		3.94
Weighted average discount rate		2.49%

Maturities of operating lease liabilities as of June 30, 2023:

Year ending June 30,		
2024	$	64,578
2025		32,678
2026		29,778
2027		29,778
2028		22,334
Thereafter		-
Total lease payments	$	179,146
Less interest		(9,274)
Present value of lease liabilities	$	169,872

Note (19) – Fair Value Measurements

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* topic of FASB ASC 820, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Organization's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value, a reasonable point within the range, is most representative of fair value under current market conditions.

The Organization groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instruments categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Fair values of assets and liabilities measured on a recurring basis are as follows:

June 30, 2023	Fair Value	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Money market funds	$ 153,381	$ 153,381	$ -	$ -
Mutual funds / ETFs	938,583	938,583	-	-
Certificates of deposit	879,790	879,790	-	-
	$ 1,971,754	$ 1,971,754	$ -	$ -

June 30, 2022	Fair Value	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Money market funds	$ 22,541	$ 22,541	$ -	$ -
Mutual funds / ETFs	939,423	939,423	-	-
Certificates of deposit	987,435	987,435	-	-
	$ 1,949,399	$ 1,949,399	$ -	$ -

No investment securities were transferred between levels during 2023 and 2022.

Note (20) – Compensated Absences

The Organization allows for the carryover of unused vacation and sick time accumulated through year-end. Accordingly, the Organization has accrued a liability of $295,795 and $294,694 at June 30, 2023 and 2022, respectively, for the estimated amount require to settle these future compensated absences.

Note (21) – Kentucky Medicaid Cost Report Settlement

Beginning with the 2017 fiscal year, the Organization's annual cost report started containing a Kentucky Medicaid Cost Settlement Component. This cost settlement component can result in the Organization owing money to the State or being owed money from the State once the cost report is reviewed and finalized. The cost settlement process can take 15 months or longer to finalize. Administrative procedures preclude final determination of amounts due until after the cost reports are audited or otherwise reviewed and settled upon by the respective administrative agencies. During the year ended June 30, 2023, the 2021cost report was settled. At June 30, 2023, final determination has not been made on the cost reports for the years ending June 30, 2023 or 2022. Historically, the cost settlement has varied from year to year whether the Organization is owed money or if the Organization owes money. The Organization does not feel that it has a system in place to accurately estimate the amount of the future cost settlements, as a result nothing has been recorded for the future settlements as of June 30, 2023 or 2022.

Note (22) – Buffalo Trace ASAP

The Organization serves as the fiscal agent for Buffalo Trace ASAP. Buffalo Trace ASAP has carryover funds recorded on the Consolidated Statements of Financial Position in Cash and Cah Equivalents and Accounts Payable in the amount of $57,003 and $60,732 at June 30, 2023 and 2022, respectively.

Note (23) – Subsequent Events

Events that occur after the Consolidated Statements of Financial Position date but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Consolidated Statements of Financial Position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the Consolidated Statements of Financial Position date require disclosure in the accompanying notes to the consolidated financial statements. Management evaluated the activity of the Organization through January 18, 2024, the date the consolidated financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to consolidated financial statements.

Note (24) – Prior Period Adjustment

During the year ending 2023, the Organization discovered various items that were deemed to be significant enough to restate the June 30, 2022 amounts via prior period adjustments. Below are explanations of the prior period adjustments along with the impact on the consolidated financial statements as of and for the year ended June 30, 2022:

<u>Comprehend Properties, Inc.</u>

The Organization discovered that the operating cash account as well as tenant security deposits were not being properly reconciled. As a result of these discoveries Cash and Cash Equivalents increased $25,061, Restricted Deposits and Funded Reserves decreased $5,675, Other Liabilities decreased $5,675, General and administrative expenses decreased $4,942 and Net Assets increased $4,942.

In addition to these transactions, there was an increase $20,119 that Comprehend Properties, Inc owes Comprehend, Inc.; however, this transaction is eliminated in the consolidation.

<u>CI Holding Corporation</u>

The Organization discovered that land transferred from Comprehend, Inc. to CI Holding Corporation in the amount of $115,927 had never been recorded. The transaction increased Property and Equipment and Net Assets for CI Holding Corporation while decreasing the same accounts for Comprehend, Inc. This transaction is eliminated in the consolidation.

<u>Comprehend, Inc.</u>

In addition to the above listed transactions that that involved Comprehend, Inc., the Organization also discovered various entries involving accounts receivable and accounts payable. As a result of these discoveries Accounts Receivable – Clients and Net Client Service Revenue increased by $147,908, Accounts Receivable – Grants and Contracts and State and Local Grants revenue decreased $26,893, and Accounts Payable increased and State and Local Grants revenue decreased by $60,350.

SUPPLEMENTARY INFORMATION

COMPREHEND, INC. REGIONAL MENTAL HEALTH
MENTAL RETARDATION BOARD, INC. AND AFFILIATES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
JUNE, 30 2023

	Comprehend, Inc.	Comprehend Properties, Inc.	CI Holding Corporation	Comprehend Parking Properties, Inc.	Eliminations	Total
ASSETS						
Current Assets:						
Cash and cash equivalents	$ 2,442,966	$ 132,708	$ 83,909	$ -	$ -	$ 2,659,583
Accounts receivable - clients, net	591,519	-	-	-	-	591,519
Accounts receivable - grants and contracts	355,555	-	-	-	-	355,555
Prepaid expenses and other assets	146,136	15,157	12,500	-	(12,500)	161,293
Total current assets	3,536,176	147,865	96,409	-	(12,500)	3,767,950
Other Assets:						
Investments	1,971,754	-	-	-	-	1,971,754
Certificates of deposit	1,372,347	-	-	-	-	1,372,347
Restricted deposits and funded reserves	-	195,752	-	-		195,752
Leverage loans receivable	3,870,717	-	-	-	-	3,870,717
Total other assets	7,214,818	195,752	-	-	-	7,410,570
Due from Affiliates	637,547	-	-	-	(637,547)	-
Right of use assets, less accumulated amortization	7,572,898	-	-	-	(7,403,026)	169,872
Property and equipment, less accumulated depreciation	802,836	- 255,348	6,631,229	30,770	-	7,720,183
Total assets	$ 19,764,275	$ 598,965	$ 6,727,638	$ 30,770	$ (8,053,073)	$ 19,068,575
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts payable	$ 115,300	$ -	$ -	$ -	$ (12,500)	$ 102,800
Accrued payroll and related expenses	265,403	-	-	-	-	265,403
Accrued vacation pay and sick leave	295,795	-	-	-	-	295,795
Provider Relief Funds payable	-	-	-	-	-	-
Other liabilities	-	4,056	-	-	-	4,056
Deferred revenue	134,846	-	-	-	-	134,846
Current maturities of operating lease obligation	64,578	-	-	-	-	64,578
Current maturities of long-term debt	135,692	27,754	-	-	-	163,446
Total current liabilities	1,011,614	31,810	-	-	(12,500)	1,030,924
Due to Comprehend, Inc.	-	582,588	23,214	31,745	(637,547)	-
Operating lease obligations, less current maturities	7,799,352	-	-	-	(7,694,058)	105,294
Long-term debt, less current maturities	3,373,787	838,318	6,616,730	-	-	10,828,835
Total liabilities	12,184,753	1,452,716	6,639,944	31,745	(8,344,105)	11,965,053
Net Assets:						
Without donor restrictions						
Undesignated	7,579,522	(853,751)	87,694	(975)	291,032	7,103,522
Total net assets	7,579,522	(853,751)	87,694	(975)	291,032	7,103,522
Total liabilities and net assets	19,764,275	$ 598,965	$ 6,727,638	$ 30,770	$ (8,053,073)	$ 19,068,575

COMPREHEND, INC. REGIONAL MENTAL HEALTH
MENTAL RETARDATION BOARD, INC. AND AFFILIATES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION (CONCLUDED)
JUNE, 30 2022

	Comprehend, Inc. (as restated)	Comprehend Properties, Inc. (as restated)	CI Holding Corporation (as restated)	Comprehend Parking Properties, Inc.	Eliminations	Total
ASSETS						
Current Assets:						
Cash and cash equivalents	$ 2,016,868	$ 114,793	$ 86,689	$ -	$ -	$ 2,218,350
Accounts receivable - clients, net	714,096	-	-	-	-	714,096
Accounts receivable - grants and contracts	190,838	-	-	-	-	190,838
Prepaid expenses and other assets	235,164	9,097	-	-	-	244,261
Total current assets	3,156,966	123,890	86,689	-	-	3,367,545
Other Assets:						
Investments	1,949,399	-	-	-	-	1,949,399
Certificates of deposit	1,369,040	-	-	-	-	1,369,040
Restricted deposits and funded reserves	-	227,730	-	-	-	227,730
Leverage loans receivable	3,870,717	-	-	-	-	3,870,717
Total other assets	7,189,156	227,730	-	-	-	7,416,886
Due from Affiliates	539,096	-	-	-	(539,096)	-
Right of use assets, less accumulated amortization	-	-	-	-	-	-
Property and equipment, less accumulated depreciation	962,796	257,092	6,815,175	30,770	-	8,065,833
Total assets	$ 11,848,014	$ 608,712	$ 6,901,864	$ 30,770	$ (539,096)	$ 18,850,264
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts payable	$ 187,580	$ 35	$ -	$ -	$ -	$ 187,615
Accrued payroll and related expenses	384,544	-	-	-	-	384,544
Accrued vacation pay and sick leave	294,694	-	-	-	-	294,694
Provider Relief Funds payable	645,311	-	-	-	-	645,311
Other liabilities	-	4,789	-	-	-	4,789
Deferred revenue	47,269	-	-	-	-	47,269
Current maturities of operating lease obligation	-	-	-	-	-	-
Current maturities of long-term debt	132,079	26,277	-	-	-	158,356
Total current liabilities	1,691,477	31,101	-	-	-	1,722,578
Due to Comprehend, Inc.	-	494,612	13,714	30,770	(539,096)	-
Operating lease obligations, less current maturities	-	-	-	-	-	-
Long-term debt, less current maturities	3,506,459	863,213	6,522,219	-	-	10,891,891
Total liabilities	5,197,936	1,388,926	6,535,933	30,770	(539,096)	12,614,469
Net Assets:						
Without donor restrictions						
Undesignated	6,650,078	(780,214)	365,931	-	-	6,235,795
Total net assets	6,650,078	(780,214)	365,931	-	-	6,235,795
Total liabilities and net assets	$ 11,848,014	$ 608,712	$ 6,901,864	$ 30,770	$ (539,096)	$ 18,850,264

COMPREHEND, INC. REGIONAL MENTAL HEALTH
MENTAL RETARDATION BOARD, INC. AND AFFILIATES
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Comprehend, Inc.	Comprehend Properties, Inc.	CI Holding Corporation	Comprehend Parking Properties, Inc.	Eliminations	Total
WITHOUT DONOR RESTRICTIONS:						
Revenues and Support:						
Net client service revenue	$ 8,983,726	$ -	$ -	$ -	$ -	$ 8,983,726
State and local grants	2,161,336	-	-	-	-	2,161,336
In-kind donations	40,997	-	-	-	-	40,997
Interest income	59,603	88	4	-	-	59,695
Investment income	25,838	-	-	-	-	25,838
Unrealized gains (losses) on investments	(13,113)	-	-	-	-	(13,113)
Workshop sales	41,405	-	-	-	-	41,405
Rental income	72,450	179,150	150,000	-	(150,000)	251,600
Other income	1,237,692	128	-	-	(10,937)	1,226,883
Fundraising income	10,715	-	-	-	-	10,715
Total revenues and support	12,620,649	179,366	150,004	-	(160,937)	12,789,082
Expenses:						
Program Expenses						
Behavioral Health	6,149,290	-	-	-	-	6,149,290
Intellectual Developmental	1,336,374	-	-	-	-	1,336,374
Housing	1,097,312	204,506	-	-	(10,937)	1,290,881
Physical Health	-	-	-	-	-	-
Total Program Expenses	8,582,976	204,506	-	-	(10,937)	8,776,545
Supporting Services Expenses						
General and administrative	3,098,229	48,397	428,241	975	(441,032)	3,134,810
Fundraising	10,000	-	-	-	-	10,000
Total Expenses	11,691,205	252,903	428,241	975	(451,969)	11,921,355
Change in net assets without donor restrictions	929,444	(73,537)	(278,237)	(975)	291,032	867,727
Net assets, beginning of year	6,650,078	(780,214)	365,931	-	-	6,235,795
Net assets, end of year	$ 7,579,522	$ (853,751)	$ 87,694	$ (975)	$ 291,032	$ 7,103,522

**COMPREHEND, INC. REGIONAL MENTAL HEALTH
MENTAL RETARDATION BOARD, INC. AND AFFILIATES
CONSOLIDATING STATEMENTS OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2022**

	Comprehend, Inc. (as restated)	Comprehend Properties, Inc. (as restated)	CI Holding Corporation (as restated)	Comprehend Parking Properties, Inc.	Eliminations	Total
WITHOUT DONOR RESTRICTIONS:						
Revenues and Support:						
Net client service revenue	$ 8,630,587	$ -	$ -	$ -	$ -	$ 8,630,587
State and local grants	2,313,599	-	-	-	-	2,313,599
In-kind donations	60,959	-	-	-	-	60,959
Interest income	5,623	983	5	-	-	6,611
Investment income	43,252	-	-	-	-	43,252
Unrealized gains (losses) on investments	(53,519)	-	-	-	-	(53,519)
Workshop sales	58,545	-	-	-	-	58,545
Rental income	84,370	184,086	149,911	-	(149,911)	268,456
Other income	111,880	71	-	-	(14,481)	97,470
Fundraising income	-	-	-	-	-	-
Total revenues and support	11,255,296	185,140	149,916	-	(164,392)	11,425,960
Expenses:						
Program Expenses						
Behavioral Health	6,261,905	-	-	-	(75,000)	6,186,905
Intellectual Developmental	1,275,853	-	-	-	-	1,275,853
Housing	1,226,940	175,848	-	-	-	1,402,788
Physical Health	193,151	-	-	-	-	193,151
Total Program Expenses	8,957,849	175,848	-	-	(75,000)	9,058,697
Supporting Services Expenses						
General and administrative	2,628,645	86,148	456,344	-	(89,392)	3,081,745
Fundraising	-	-	-	-	-	-
Total Expenses	11,586,494	261,996	456,344	-	(164,392)	12,140,442
Change in net assets without donor restrictions	(331,198)	(76,856)	(306,428)	-	-	(714,482)
Net assets, beginning of year	6,981,276	(703,358)	672,359	-	-	6,950,277
Net assets, end of year	$ 6,650,078	$ (780,214)	$ 365,931	$ -	$ -	$ 6,235,795

COMPREHEND, INC. REGIONAL MENTAL HEALTH
MENTAL RETARDATION BOARD, INC. AND AFFILIATES
CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Comprehend, Inc	Comprehend Properties, Inc.	CI Holding Corporation	Comprehend Parking Properties, Inc.	Eliminations	Total
Cash Flows From Operating Activities:						
Change in net assets	$ 929,444	$ (73,537)	$ (278,237)	$ (975)	$ 291,032	$ 867,727
Adjustments -					-	
Depreciation	189,858	34,789	183,946	-	-	408,593
(Gain) Loss on disposal of assets	(261,277)	-	-	-	-	(261,277)
Unrealized (gain) loss on investments	13,113	-	-	-	-	13,113
Forgiveness of PRF liability	(645,311)	-	-	-	-	(645,311)
Amortization of deferred financing costs	-	2,729	94,511	-	-	97,240
Change in allowance for uncollectible accounts receivable	550,874	-	-	-	-	550,874
Operating lease liability and ROU asset expense	291,032	-	-	-	(291,032)	-
Changes in operating assets and liabilities -						
Client accounts receivable	(428,297)	-	-	-	-	(428,297)
Federal contract receivable	(164,717)	-	-	-	-	(164,717)
Other receivables	-	-	-	-	-	-
Prepaid expenses and other assets	89,028	(6,060)	(12,500)	-	12,500	82,968
Accounts payable	(72,280)	(35)	-	-	(12,500)	(84,815)
Due to / from Affiliate	(98,451)	87,976	9,500	975	-	-
Accrued payroll and related expenses	(119,141)	-	-	-	-	(119,141)
Accrued vacation pay and sick leave	1,101	-	-	-	-	1,101
Other liabilities	-	(733)	-	-	-	(733)
Deferred revenue	87,577	-	-	-	-	87,577
Net cash provided by (used in) operating activities	362,553	45,129	(2,780)	-	-	404,902
Cash Flows From Investing Activities:						
Purchase of property and equipment	(230,530)	(33,045)	-	-	-	(263,575)
Increase in certificates of deposits	(3,307)	-	-	-	-	(3,307)
Proceeds from the disposal of assets	461,909	-	-	-	-	461,909
Purchase of investments	(35,468)	-	-	-	-	(35,468)
Net cash provided by (used in) investing activities	192,604	(33,045)	-	-	-	159,559
Cash Flows From Financing Activities:						
Payments on long-term debt	(129,059)	(26,147)	-	-	-	(155,206)
Net cash provided by (used in) financing activities	(129,059)	(26,147)	-	-	-	(155,206)
Net increase (decrease) in cash and cash equivalents	426,098	(14,063)	(2,780)	-	-	409,255
Cash and cash equivalents, beginning of year	2,016,868	342,523	86,689	-	-	2,446,080
Cash and cash equivalents, end of year	$ 2,442,966	$ 328,460	$ 83,909	$ -	$ -	$ 2,855,335
Cash and cash equivalents	2,442,966	132,708	83,909	-	-	2,659,583
Restricted deposits and funded reserves	-	195,752	-	-	-	195,752
Cash and cash equivalents, end of year	$ 2,442,966	$ 328,460	83,909	$ -	$ -	$ 2,855,335
Supplemental data:						
Interest paid	$ 19,807	$ 55,665	$ 116,743	$ -	$ -	$ 192,215
Lease assets obtained in exchange for lease obligations - operating	$ 138,845	$ -	$ -	$ -	$ -	$ 138,845

COMPREHEND, INC. REGIONAL MENTAL HEALTH
MENTAL RETARDATION BOARD, INC. AND AFFILIATES
CONSOLIDATING STATEMENTS OF CASH FLOWS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2022

	Comprehend, Inc	Comprehend Properties, Inc.	CI Holding Corporation	Comprehend Parking Properties, Inc.	Eliminations	Total
Cash Flows From Operating Activities:						
Change in net assets	$ (331,198)	$ (76,856)	$ (306,428)	$ -	$ -	$ (714,482)
Adjustments -						
Depreciation	131,866	32,366	183,012	-	-	347,244
(Gain) Loss on disposal of assets	585	-	-	-	-	585
Unrealized (gain) loss on investments	53,519	-	-	-	-	53,519
Amortization of deferred financing costs	-	2,729	94,511	-	-	97,240
Change in allowance for uncollectible accounts receivable	(132,977)	-	-	-	-	(132,977)
Changes in operating assets and liabilities -						
Client accounts receivable	537,615	-	-	-	-	537,615
Federal contract receivable	(125,545)	-	-	-	-	(125,545)
Other receivables	18,735	-	-	-	-	18,735
Prepaid expenses and other assets	(210,501)	(7,840)	-	-	-	(218,341)
Accounts payable	54,187	(1,625)	-	-	-	52,562
Due to / from Affiliate	(195,480)	125,028	39,682	30,770	-	-
Accrued payroll and related expenses	(66,280)	-	-	-	-	(66,280)
Accrued vacation pay and sick leave	21,354	-	-	-	-	21,354
Other liabilities	(3,348)	(2,846)	-	-	-	(6,194)
Deferred revenue	(224,724)	-	-	-	-	(224,724)
Net cash provided by (used in) operating activities	(472,192)	70,956	10,777	30,770	-	(359,689)
Cash Flows From Investing Activities:						
Purchase of property and equipment	(222,234)	(10,388)	-	(30,770)	-	(263,392)
Increase in certificates of deposits	(407)	-	-	-	-	(407)
Proceeds from the disposal of assets	-	-	-	-	-	-
Purchase of investments	(2,002,918)	-	-	-	-	(2,002,918)
Net cash provided by (used in) investing activities	(2,225,559)	(10,388)	-	(30,770)	-	(2,266,717)
Cash Flows From Financing Activities:						
Payments on long-term debt	(122,119)	(22,665)	-	-	-	(144,784)
Net cash provided by (used in) financing activities	(122,119)	(22,665)	-	-	-	(144,784)
Net increase (decrease) in cash and cash equivalents	(2,819,870)	37,903	10,777	-	-	(2,771,190)
Cash and cash equivalents, beginning of year	4,836,738	304,620	75,912	-	-	5,217,270
Cash and cash equivalents, end of year	$ 2,016,868	$ 342,523	$ 86,689	$ -	$ -	$ 2,446,080
Cash and cash equivalents	2,016,868	114,793	86,689	-	-	2,218,350
Restricted deposits and funded reserves	-	227,730	-	-	-	227,730
Cash and cash equivalents, end of year	$ 2,016,868	$ 342,523	$ 86,689	$ -	$ -	$ 2,446,080
Supplemental data:						
Interest paid	$ 204,220	$ 57,119	$ 116,743	$ -	$ -	$ 378,082

COMPREHEND, INC. REGIONAL MENTAL HEALTH - MENTAL RETARDATION BOARD, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal AL Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Federal Expenditures	
U.S. Department of Health and Human Services					
Passed-through Kentucky Cabinet for Health and Family Services:					
Block Grants for Prevention and Treatment of Substance Abuse	93.959	729 2200003483	-	659,464	*
Block Grants for Community Mental Health Services	93.958	729 2200003483	-	260,512	*
Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665	729 2200003483	-	4,050	
Medical Assistance Program	93.778	729 2200003070	-	109,400	
Title IV-E Prevention Program	93.472	736 2200004146	-	269,248	
Total U.S. Department of Health and Human Services			-	1,302,674	
Corporation of National and Community Service					
Foster Grandparent/Senior Companion Cluster					
Direct Program:					
Foster Grandparent Program	94.011	21SFCKY003	-	239,938	
Total Corporation of National and Community Service			-	239,938	
Total expenditures of Federal Awards			$ -	$ 1,542,612	

* Denotes major program.

The accompanying notes are an integral part of this schedule.

**COMPREHEND, INC. REGIONAL MENTAL HEALTH -
MENTAL RETARDATION BOARD, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – REPORTING ENTITY

The consolidated financial statements of Comprehend, Inc. Regional Mental Health – Mental Retardation Board, Inc. and Affiliates consist of four entities as discussed in Note (1) to the consolidated financial statements. The Schedule of Expenditures of Federal Awards (the "Schedule") presented on the previous page only includes the activity of Comprehend, Inc. Regional Mental Health – Mental Retardation Board, Inc. due to the fact that the affiliated entities either do not receive or expend federal awards or they separately report their federal awards, if reporting thresholds are met by any of the Affiliates. The federal activity of the following Affiliates is excluded from the Schedule:

Comprehend Properties, Inc.

CI Holding Corporation

Comprehend Parking Properties, Inc.

NOTE B - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal award activity of Comprehend, Inc. Regional Mental Health – Mental Retardation Board, Inc. ("Comprehend") under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of Comprehend, it is not intended and does not present the financial position, changes in net assets or cash flows of Comprehend.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, the cost principles contain in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE D – INDIRECT COST RATES

Comprehend, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Kelley Galloway Smith Goolsby, PSC
Certified Public Accountants and Advisors

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Comprehend, Inc. Regional Mental Health –
Mental Retardation Board, Inc. and Affiliates
Maysville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Comprehend, Inc. Regional Mental Health – Mental Retardation Board, Inc. and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 18, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Organization's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
January 18, 2024

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Board of Directors
Comprehend, Inc. Regional Mental Health –
Mental Retardation Board, Inc. and Affiliates
Maysville, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Comprehend, Inc. Regional Mental Health – Mental Retardation Board, Inc.'s ("Comprehend") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Comprehend's major federal programs for the year ended June 30, 2023. Comprehend's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Comprehend complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Comprehend and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Comprehend's compliance with compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Comprehend's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Comprehend's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Comprehend's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Comprehend's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Comprehend's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Comprehend's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Comprehend's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Comprehend's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, a discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questions costs as item 2023-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
January 18, 2024

COMPREHEND, INC. REGIONAL MENTAL HEALTH - MENTAL RETARDATION BOARD, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

A. SUMMARY OF AUDIT RESULTS

Type of Auditor's report issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal Control over financial reporting:	
Material weakness(es) identified?	x yes ___ no
Significant deficiency(ies) identified?	___ yes x none reported
Noncompliance material to the financial statements noted?	___ yes x no
Federal Awards	
Internal control over major federal programs:	
Material weakness(es) identified?	___ yes x no
Significant deficiency(ies) identified?	x yes ___ none reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ yes x no
Identification of major federal programs:	

- ALN #93.958 Block Grants for Community Mental Health Services
- ALN #93.959 Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold to distinguish between Type A and Type B Programs:	$ 750,000
Auditee qualified as a low risk auditee?	___ yes x no

B. CONSOLIDATED FINANCIAL STATEMENT FINDINGS

2023-001 – Account Reconciliations

Condition: During our audit, we noted several general ledger accounts that were not being properly reconciled, the large area impacted was accounts receivable.

Criteria: Account balances should be reconciled and reviewed monthly to ensure that all supporting subsidiary ledgers agree to the general ledger.

Cause: There has been significant turnover within management as well as the finance and accounting departments. The current employees have been working diligently to discover weaknesses in internal control and establish new procedures; however, they have not fully completed the process which has led to some accounts still going unreconciled.

Effect: This resulted in several account balances were incorrect when we arrived for our audit procedures leading to several adjusting journal entries.

Indication of Repeat Finding: This is a repeat finding of 2022-001.

Recommendation: We recommend that controls and procedures be put into place to ensure that account balances are properly reconciled from the supporting subsidiary ledgers or other documentation to the general ledger and that the reconciliations are properly reviewed by a second person to help ensure accuracy. Any reconciling differences should be corrected before the accounting records are closed for the month end.

Management's Response: All balance sheet accounts are to be reviewed individually and separately tracked and reconciled. Finance is focused on reconciling all accounts quarterly and working toward a process to reconcile AR based on the limited tools currently available. The organization has made significant improvements in the overall account reconciliation and documentation process. The Finance Team is responsible for reconciling all Balance Sheet Accounts at month end with the CFO to review and sign off monthly. All discrepancies will be dealt with individually and an action plan will be implemented to limit the number of discrepancies. Note that Finance along with the CEO, CFO and COO are in current discussions with a new EHR system that will enable timely and accurate reporting of AR accounts.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-002 – Recordkeeping of Expense Allocations (#93.958 Block Grants for Community Mental Health Services and #93.959 Block Grants for Prevention and Treatment of Substance Abuse)

Condition: Management could not provide the support to show the justification for how certain program expenditures were allocated (specifically payroll).

Criteria: In order to maintain a proper audit trail, Comprehend should keep allocation calculations that support costs charged to grants on file and readily available.

Cause: The complexity of the payroll system utilized made reconciling allocations of payroll at the program level difficult. Additionally, Comprehend no longer uses this payroll provider so reconciling these items during the audit was not possible due to no longer having access to the former payroll provider's software and payroll data.

Effect: We were unable to test the accuracy of the expense allocation due to lack of supporting documentation.

Questioned Cost: No material questioned costs were noted related to this finding.

Indication of Repeat Finding: This is a repeat finding of 2022-003.

Recommendation: We recommend that Comprehend maintains supporting documentation of all expense allocations and have it on file and readily available for the audit.

Management's Response: Effective 7/1 Comprehend switched payroll providers to Paycom. Both the CFO and Accounting Assistant have tested allocation calculations and completed an internal audit to verify that allocation calculations can be supported when requested and are readily available. As part of the quarterly closing process, the CFO will conduct an internal audit to confirm that the proper allocations are occurring and recorded.

COMPREHEND, INC. REGIONAL MENTAL HEALTH - MENTAL RETARDATION BOARD, INC. AND AFFILIATES

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2023

Finding Number: 2023-001

Corrective Action Plan: All balance sheet accounts are to be reviewed individually and separately tracked and reconciled. Finance is focused on reconciling all accounts quarterly and working toward a process to reconcile AR based on the limited tools currently available. The organization has made significant improvements in the overall account reconciliation and documentation process. The Finance Team is responsible for reconciling all Balance Sheet Accounts at month end with the CFO to review and sign off monthly. All discrepancies will be dealt with individually and an action plan will be implemented to limit the number of discrepancies. Note that Finance along with the CEO, CFO and COO are in current discussions with a new EHR system that will enable timely and accurate reporting of AR accounts.

Estimated Completion: Immediately

Responsible Contact Person: Donna Hicks, CFO

Finding Number: 2023-002

Corrective Action Plan: Effective 7/1 Comprehend switched payroll providers to Paycom. Both the CFO and Accounting Assistant have tested allocation calculations and completed an internal audit to verify that allocation calculations can be supported when requested and are readily available. As part of the quarterly closing process, the CFO will conduct an internal audit to confirm that the proper allocations are occurring and recorded.

Estimated Completion: Immediately

Responsible Contact Person: Donna Hicks, CFO

Comprehend, Inc.
Your Community Source for Mental Wellness

COMPREHEND, INC. REGIONAL MENTAL HEALTH - MENTAL RETARDATION BOARD, INC. AND AFFILIATES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

CONSOLIDATED FINANCIAL STATEMENT FINDINGS

2022-001 – Account Reconciliations

Condition: During our audit procedures, we discovered that account reconciliations were not performed to adjust balances to agree with supporting documentation for a number of general ledger accounts at June 30, 2022.

Recommendation: The Organization should adopt a policy requiring monthly reconciliation of all consolidated statement of financial position accounts to their supporting documentation in order to ensure the accuracy of the monthly financial statements. Consolidated statement of financial position reconciliations quickly identify errors and necessary corrections. If reconciliations are performed infrequently, errors and adjustments can occur, resulting in the need for significant corrections when the reconciliations are performed. Any reconciling differences should be corrected before the accounting records are closed for the month end.

Status: Repeated as 2023-001.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2022-002 – Reporting Deadline (Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution Assistance Listing #93.498)

Condition: The required Health Resources and Service Administration's ("HRSA") Provider Relief Fund ("PRF") Portal reporting was not submitted.

Recommendation: We recommend that Comprehend management review all grant funding for reporting deadlines, and coordinate this responsibility with the respective program directors.

Status: The HRSA PRF Portal reporting was unique to 2022 and therefore was not applicable for 2023.

2022-003 – Improve Recordkeeping of Expense Allocations (Block Grants for Prevention and Treatment of Substance Abuse Assistance Listing #93.959)

Condition: Management could not provide the support for program expenditures selected for testing.

Recommendation: We recommend that Comprehend maintains supporting documentation of all expense allocations and have it on file and readily available for the audit.

Status: Repeated as 2023-002.